



STATE BOARD OF EQUALIZATION
PROPERTY AND SPECIAL TAXES DEPARTMENT
450 N STREET, SACRAMENTO, CALIFORNIA
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0064
916 445-4982 • FAX 916 323-8765
www.boe.ca.gov

BETTY T. YEE
First District, San Francisco

BILL LEONARD
Second District, Ontario/Sacramento

MICHELLE STEEL
Third District, Rolling Hills Estates

JUDY CHU, Ph.D.
Fourth District, Los Angeles

JOHN CHIANG
State Controller

RAMON J. HIRSIG
Executive Director

May 4, 2009

TO HOSPITAL ORGANIZATIONS:

**VERIFICATION FOR CONTINUED ELIGIBILITY OF ORGANIZATIONAL CLEARANCE
CERTIFICATE AND SUPPLEMENTAL REPORTING FORMS – NONPROFIT HOSPITAL
ORGANIZATIONS**

The Welfare Exemption is co-administered by County Assessors and the State Board of Equalization (Board). The County Assessor determines whether an organization's property qualifies for the exemption based on the property's use; claims for the welfare exemption must be filed annually. The Board reviews claims for Organizational Clearance Certificates (OCC) to determine if the organization is organized and operated exclusively for one or more qualifying purposes (religious, scientific, hospital or charitable) for the welfare exemption, and otherwise meets the requirements of Revenue and Taxation Code section 214. Once the Board determines that an organization qualifies for an OCC, it remains valid unless revoked. The Board reviews organizations periodically to ensure that the organization continues to meet the qualifications for exemption under Revenue and Taxation Code section 214. Your organization must have a valid OCC in order for the county assessor to grant exemption from property taxes on your property.

The Board is currently reviewing all OCC holders with a "hospital" purpose. Organizations are requested to complete the following enclosed forms:

- BOE-278-OCC, *Verification for Continued Eligibility of Organizational Clearance Certificate – Welfare and Veterans' Organization Exemption.*
- BOE-278-H, *Supplemental Reporting Form – Organizational Clearance Certificate Holders Nonprofit Hospital Organizations.*

Form BOE-278-H was adopted by the Board on April 15, 2009 to collect supplemental information on the organization and operation of nonprofit hospitals. Information on the hospital review and both forms BOE-278-OCC and BOE-278-H, are available in fillable and savable format on the Board's website at <http://www.boe.ca.gov/proptaxes/hospitals.htm>.

We are conducting the review of all hospital organizations in two cycles. The first cycle will include all organizations with names beginning with letters A through L and organizations found to have surplus revenues in the last periodic review. The second cycle will include organizations with names beginning with letters M through Z.¹ Your organization is part of this mailing cycle because your organization had surplus revenues in the last review, or because your name fell within this group. Information on the last review of hospital organizations resulted in publication of a report dated May 26, 2006, that is available at: <http://www.boe.ca.gov/proptaxes/welfarevets.htm>.

¹ The request date for the first cycle is May 4, 2009, with a due date of July 2, 2009 and the request date for the second cycle is July 20, 2009, with a due date of September 18, 2009 (60 days to file).

Information Regarding Specific Questions on form BOE-278-H

Question 8 on form BOE-278-H requests submission of a list of properties upon which your organization claimed the welfare exemption with any of the 58 county assessors for the January 1, 2009 lien date, *identifying the address, county, Assessor's Parcel Number; and its facility identification number with OSHPD, if applicable*. Upon written request, for those organizations with multiple properties, Board staff will provide an Excel file of properties upon which the organization claimed and received exemption in 03-04 (the last year in which the Board reviewed exemption claims as part of the prior administration of the welfare exemption). Hospitals can update that listing to reflect current claims.

Questions 9, 10(c) and 11(c) on form BOE-278-H request whether the organization maintains cost information for medical care provided to certain types of patients and if so, to provide the cost of care according to the organization's cost calculations. It requests identification of method of cost calculation; IRS Schedule H, CHA Guidelines, other. All hospitals may not have a cost accounting system and identification of specific accounts may not be possible, however further information should be provided as to how the organization calculates the costs associated with providing such care and the method used.²

Please submit your completed forms BOE-278-OCC and BOE-278-H to the County-Assessed Properties Division, Board of Equalization, P.O. Box 942879, Sacramento, California 94279-0064 by July 2, 2009. (Note: the form requests submission of electronic data in PDF format so paper submission is not necessary.) If you have any questions, you may contact me or Teresa Quento by calling the Exemptions Section at 916-445-3524.

Sincerely,

/s/ Lisa Thompson

Lisa Thompson
Principal Property Appraiser
County-Assessed Properties Division

Enclosures

²The Catholic Health Association (CHA) has developed and published what has become an industry standard for planning and reporting community benefit and worked directly with the IRS in developing the new form 990 Schedule H reporting of community benefit. In *A Guide for Planning and Reporting Community Benefit*, the CHA acknowledges that organizations have several options for how costs are determined, including using cost accounting systems (if available), applying a cost-to-charge ratio to relevant charges or using program cost reports; and that each of these options have strengths and weaknesses. However, the CHA encourages organizations to use their most accurate cost accounting method.